

Message Text

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70

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

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R 201505Z MAY 75

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 7769

C O N F I D E N T I A L KINGSTON 1954

E.O. 11652: GDS

TAGS: ECON, JM

SUBJECT: NEGOTIATIONS BETWEEN GOJ AND JAMAICA
FLOUR MILLS (PILLSBURY)

REF: KINGSTON 1745

1. SUMMARY: THIS TELEGRAM BRINGS UP TO DATE THE STATE OF
PLAY BETWEEN GOJ AND JAMAICA FLOUR MILLS

2. AMBASSADOR ACCOMPANIED BY ECONOFF CALLED ON MINISTER OF
MARKETING AND COMMERCE BLAKE MAY 13 TO OBTAIN ADDITIONAL IN-
FORMATION ON JAMAICA FLOUR MILLS NEGOTIATION AND GOJ INTENTIONS.
BLAKE WAS PLEASANT, REASONABLE AND FORTHRIGHT; AND OUTLINED
HISTORY OF NEGOTIATIONS TO DATE AS DESCRIBED REFTEL. HE MADE
QUITE CLEAR THAT NEGOTIATIONS ARE ENDED AS FAR AS HE WAS
CONCERNED, AND THAT IF THEY WERE TO BE REOPENED, PILLSBURY
WOULD HAVE TO DO SO WITH SOME NEW APPPROACH. HE SAID IF

SHAREHOLDERS REVERSED THEMSELVES AND VOTED TO ACCEPT DRAFT
AGREEMENT WITHOUT AMENDMENTS HE WOULD, OF COURSE, NOTIFY
CABINET OF THEIR DECISION. HOWEVER, HE WOULD FEEL "DUTY-
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BOUND" TO ADD CAVEAT THAT PILLSBURY STOCKHOLDERS HAD CHANGED

THEIR MINDS BEFORE. BLAKE ALSO SAID HE WOULD BE WILLING TO CONSIDER NEGOTIATION WHICH WOULD LEAD TO GOJ'S PURCHASE OF PILLSBURY EQUITY.

3. BLAKE SAID THAT ALTHOUGH THERE HAD BEEN SOME MISTRUST ON BOTH SIDES WHEN NEGOTIATIONS ORIGINALLY BEGAN, DISCUSSIONS IN GENERAL HAD BEEN VERY AMICABLE. HOWEVER, HE DID FEEL IN VIEW OF LENGTH OF TIME WHICH HAD ELAPSED THAT THERE WAS A GREAT DEAL OF LEGALISTIC QUIBBLING AND NO REAL DESIRE TO WORK OUT AN AGREEMENT ON PILLSBURY'S PART.

4. FOLLOWING CALL ON BLAKE AMBASSADOR AND ECONOFF SAW FRANK RIGGS, PHILLSBURY DIRECTOR FROM MINNEAPOLIS OFFICE, AND INFORMED HIM OF BLAKE INTERVIEW AS DESCRIBED ABOVE. RIGGS SAID STOCKHOLDERS EXPECTED TO MEET IN MIAMI MAY 15. HE SAID PHILLSBURY SHARE AMOUNTED TO 31 PERCENT OF TOTAL OR \$1.6 MILLION (\$1.1 MILLION BOOK VALUE) AND TOTAL FOREIGN OWNERSHIP ESTIMATED AT \$2.4 MILLION (\$1.8 MILLION BOOK VALUE). RIGGS SAID AMOUNT REQUIRED TO ADD ON TO EXISTING PLANT TO PERMIT NECESSARY EXPANSION WAS ABOUT \$3.8 MILLION. THERE WAS ALSO POSSIBILITY OF LOCAL CONSORTIUM BUYING OUT PILLSBURY SHARE AND APPROACH HAD ALSO BEEN MADE TO PURCHASE ALL FOREIGN SHARES BY UNIDENTIFIED U.S. INVESTOR

5. ON MAY 16 ECONOFF ADVISED BY ONE OF LOCAL STOCKHOLDERS THAT MIAMI MEETING INCONCLUSIVE AND ENDED IN DEADLOCK. SUBSEQUENTLY ED WILSON, PILLSBURY VICE PRESIDENT IN MINNEAPOLIS, TELEPHONED EMBASSY FOR ASSISTANCE IN ARRANGING IMMEDIATE APPOINTMENT WITH BLAKE. HE SAID HE WISHED TO DISCUSS BLAKE'S DESIRES VIS-A-VIS DRAFT AGREEMENT AND EXPLORE OTHER OPTIONS IN EFFORT TO FIND COMMON GROUND. EMBASSY UNABLE ARRANGE APPOINTMENT AS REQUESTED BECAUSE OF TIGHT BLAKE SCHEDULE. WILSON ADVISED TO TELEPHONE BLAKE DIRECT TO SEE IF APPOINTMENT POSSIBLE SOMETIME EARLY NEXT MONTH. (ECONOFF UNDERSTANDS THAT BOTH BLAKE AND WILSON WILL BE TRAVELING TO EUROPE AND IT MAY BE MEETING CAN BE ARRANGED THERE). BOTH AMBASSADOR AND ECONOFF REITERATED THEIR DESIRE TO BE HELPFUL TO WILSON WHO ADVISED US HE WOULD KEEP EMBASSY INFORMED OF DEVELOPMENTS.

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6. COMMENT: SINCE THERE IS ONLY ONE FLOUR MILL TO SUPPLY ISLAND'S NEEDS, WE EXPECT GOJ WILL CONTINUE TO LET MILL OPERATE AS USUAL UNLESS LABOR TROUBLE CAUSES CLOSURE.

WE UNDERSTAND NEGOTIATIONS PRESENTLY UNDERWAY BETWEEN NWU AND MANAGEMENT FLOUR MILL WHICH ARE EXPECTED TO BE SUCCESSFULLY CONCLUDED. NEW AMERICAN LOCAL MANAGER WHO HAS BEEN HERE BEFORE HAS GOOD RECORD OF LABOR RELATIONS

AND WAS FAVORABLY COMMENTED ON BY BLAKE. FOR THE TIME
BEING WE HOPE CONFRONTATION HAS BEEN AVOIDED AND THAT
PILLSBURY AFFAIR CAN BE SUCCESSFULLY RESOLVED. HEWITT

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